

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AGRE-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-07 NSAE-00 SP-02 STR-04
TRSE-00 LAB-04 SIL-01 OMB-01 PA-01 PRS-01 USIA-06
NSC-05 SS-15 /090 W
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R 241740Z FEB 77
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TO SECSTATE WASHDC 2962
INFO AMEMBASSY BONN
AMEMBASSY PARIS
AMEMBASSY LONDON
AMEMBASSY THE HAGUE
AMEMBASSY COPENHAGEN
AMEMBASSY LUXEMBOURG Y
AMEMBASSY BRUSSELS
USMISSION EC BRUSSELS
USMISSION GENEVA
US DEL MTN GENEVA
AMEMBASSY DUBLIN

C O N F I D E N T I A L ROME 2980

STATE PASS USDA

E.O. 11652: GDS
TAGS: ETRD, EC, IT
SUBJECT: JENKINS VISIT

REF: (A) ROME 2846, (B) ROME 2755 (NOTAL)

SUMMARY: FUXA, MFA OFFICIAL CHARGED WITH EC ECONOMIC AFFAIRS
AND GATT, REVIEWED WITH EMBOFF EC COMMISSION PRESIDENT JENKINS
VISIT TO ROME ON FEB. 21 AND 22. MOST IMPORTANT POINT RAISED
BY ITALIANS APPEARS TO HAVE BEEN THAT ITALY SHOULD BE COMPENSATED
FOR INJURY TO ITS AGRICULTURE EXPECTED FROM EVENTUAL ENTRY OF
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NEW EC MEMBERS BY LESS LIBERAL EC IMPORT POLICY ON "MEDITERRANEAN"
PRODUCTS. END OF SUMMARY

1. ACCORDING TO FUXA MAIN TOPICS DISCUSSED BY JENKINS WERE
PROPOSED EC LOAN TO ITALY, ENLARGEMENT OF EC; COORDINATION OF EC
REGIONAL AND SOCIAL FUND OPERATIONS AND PREPARATIONS FOR EUROPEAN
COUNCIL SESSION IN ROME ON MARCH 25-26.

2. PRESS ACCOUNTS OF JENKINS STATEMENTS ON EC LOAN TO ITALY REPORTED REF A. WHEN EMBOFF NOTED THAT SOME REPORTERS INTERPRETED JENKINS REMARKS AS MEANING THAT ADDITIONAL GOI MEASURES WERE CONDITION OF LOAN, FUXA REPLIED THAT, IN HIS VIEW, EC NOW SATISFIED THAT ITALIAN MEASURES PROVIDE SUFFICIENT BASIS FOR GRANTING LOAN PARALLEL WITH IMG DECISION, AND JENKINS VISIT HAD NOT CHANGED MATTERS.

3. ACCORDING TO FUXA, DISCUSSIONS ON EC ENLARGEMENT TO INCLUDE GREECE, PORTUGAL AND SPAIN WERE INTERMINGLED WITH DISCUSSIONS ON EC AGRICULTURAL POLICY. ITALIAN AGRICULTURE MINISTER MARCORA AND PRIME MINISTER ANDREOTTI, ACCORDING TO PRESS ACCOUNTS, RAISED WITH JENKINS NEGATIVE EFFECTS ITALY WILL SUFFER FROM ENTRY OF THESE COUNTRIES INTO EC, ESPECIALLY IN REGARD TO ITALY'S "MEDITERRANEAN" AGRICULTURAL PRODUCTS. FUXA STATES ITALIAN POSITION IN ESSENTIALLY SAME TERMS AS REPORTED REF B, I.E. THAT NEW EC MEMBERS SHOULD NOT BE ADMITTED UNTIL ITALY HAS OBTAINED SAME ADVANTAGES AS THOSE PRESENTLY ENJOYED BY "NORTHER"EC COUNTIRES.

4. HE SAID POSITION TAKEN WITH JENKINS WAS THAT ITALY WANTS AN OFFSET TO INJURY IT WILL SUFFER FROM ENTRY OF NEW COUNTRIES IN FORM OF LESS LIBERALITY ON CERTAIN EC IMPORTS RATHER THAN FINANCIAL ASSISTANCE. HE DID NOT SPELL OUT HOW EC IMPORT POLICY SHOULD BE MADE LESS LIBERAL EXCEPT TO SPECIFY THAT IMPORTS OF MEDITERRANEAN AGRICULTURAL PRODUCTS SHOULD BE REDUCED.

5. FUXA ALSO MADE CLEAR THAT GOI EXPECTS THAT MOST IF NOT ALL OF INJURY CAUSED BY NEW MEMBERS CAN BE COMPENSATED IN SUCH MANNER.
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HE SAID GOI HAS NOT ATTEMPTED TO QUANTIFY INJURY AND HE DID NOT THINK SUCH AN ATTEMPT WOULD BE VERY MEANINGFUL. COMPENSATIONS SHOULD BE SOUGHT, HE SAID, AS EXPERIENCE SHOWS THE EXTENT OF DAMAGE. IF LESS LIBERAL TREATMENT OF EC "MEDITERRANEAN" IMPORTS PROVED TO BE INSUFFICIENT, GOI WOULD TURN TO OTHER FORMS OF COMPENSATION, SUCH AS ADDITIONAL ALLOCATIONS FROM EC REGIONAL AND SOCIAL FUNDS.

6. WHEN EMBOFF SUGGESTED THAT IT MIGHT BE DIFFICULT TO RESTRICT IMPORTS FROM THIRD COUNTRIES THAT HAVE ENJOYED EC TRADE CONCESSIONS FOR A CONSIDERABLE PERIOD, FUXA SAID SUCH COUNTRIES COULD BE GRANTED MORE APPROPRIATELY CONCESSION FOR INDUSTRIAL EXPORTS AND OR ADDITIONAL TECHNICAL ASSISTANCE.

7. REPORTEDLY AGRICULTURE MINISTER MARCORA TOLD JENKINS GOI WAS DISSATISFIED WITH PROPOSED EC AGRICULTURAL PRICE "PACKAGE" ON GROUNDS THAT PRICE INCREASES WOULD BE SO LOW AS TO ACT AS DISINCENTIVE

TO MOST IMPORTANT ITALIAN AGRICULTURE SECTORS, RESULTING IN GREATER

EC AGRICULTURAL IMPORTS. FUXA OBSERVED THAT THERE WAS BROAD AGREEMENT WITHIN GOI THAT ITALY'S AGRICULTURAL PRODUCERS SHOULD HAVE GREATER PRICE INCENTIVES THAN PROVIDED UNDER THE COMMISSION'S PROPOSAL, BUT THAT IT WAS ALSO WIDELY HELD THAT THE PRICE PACKAGE SHOULD NOT BE INFLATIONARY.

8. FUXA NOTED THAT JENKINS CHOSE TO BEGIN EC CAPITALS TOUR IN ROME PARTLY BECAUSE EUROPEAN COUNCIL MEETING, CELEBRATING 25TH ANNIVERSARY OF SIGNING OF ROME TREATY, WILL BE HELD HERE IN MARCH 25-26. HE ADDED THAT MAIN SUBSTANTIVE MATTERS TO BE TAKEN UP AT COUNCIL MEETING ARE ASSESSMENT OF OVERALL ECONOMIC SITUATION OF EC AND PROSPECTS FOR ADVANCING MONETARY UNION.

9. COMMENT: WHILE FUXA WAS NOT SPECIFIC ON HOW LESS LIBERAL EC IMPORT POLICY ON "MEDITERRANEAN" COMMODITIES WOULD BE IMPLEMENTED, HE APPEARED TO BE DESCRIBING A GOI POLICY DIRECTION THAT HAS BEEN WIDELY ACCEPTED WITHIN GOI. IF THIS IS CASE AND GOI NOT SIMPLY
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ADVANCING BARGAINING COUNTERS LATER TO BE EXCHANGED FOR "REAL MONEY", THERE WOULD APPEAR TO BE IMPORTANT IMPLICATIONS FOR OVERALL EC TRADE POSTURE AND POSSIBLY SOME U.S. AGRICULTURAL EXPORTS. EMBASSY WILL SEEK CLARIFICATIONS OF WHAT PRECISELY GOI HAS IN MIND.BEAUDRY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, REGIONAL ORGANIZATIONS, LOANS, MEETING REPORTS
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
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Format: TEL
From: ROME
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770213/aaaaalht.tel
Line Count: 144
Litigation Code IDs:
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Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 ROME 2846, 77 ROME 2755
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 03-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3240396
Secure: OPEN
Status: NATIVE
Subject: JENKINS VISIT
TAGS: ETRD, EC, IT, EEC, (JENKINS, ROY)
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/8461c1bf-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009